

Correctional Actuary

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Scene 1 - Peace Memorial Park

Above the entryway the sign read, “**Peace Memorial Park**”. Jack had never been to this park before, too busy in the past with actuarial consulting work to explore. That type of work has been drying up recently. He was in this part of the city because he just finished eating a late lunch using a 50% off coupon at a restaurant new to him and decided to walk around before returning home.

As he walked through the entryway on the left was a small building that seemed to be the starting place. Inside was one US flag folded as a presentation flag and stored in a triangle-shaped glass case on a shelf. It was the presentation flag for a Medal of Honor recipient who was born in the city. The words and music of the national anthem were in a frame on the wall with a framed print depicting Fort McHenry under siege. An inscription read, “Peace Memorial Park is dedicated to the men and women who fought and sometimes died for our freedom. Each memorial is displayed for 100 years after the end of hostilities and then removed and destroyed. Of the display space 10% is always reserved for peace in the hope of inspiring it.”

“Interesting” Jack mused. A memorial park with temporary monuments would help limit revisionist history. He recalled the conflicts over confederate monuments, where monuments were installed decades after the Civil War as a display of power in the public square in many states. No Civil War monuments here. Nothing from any conflict that ended earlier than 1919.

Leaving the little building and walking clockwise, Jack could see the first 10% of the display space on the circle walk was left as a park with trees and a well-kept lawn. Display space was used for monuments on both sides of the circle walk. In the middle of the circle behind display space was a stand of trees. On the outside of the circle behind the display space were trees and lawn to the park borders and the city sidewalks and streets bordering the park. The space where World War I monuments had been located were now empty and waiting for landscaping to turn the space back into trees and lawn. As this was adjacent to the portion left as a park, it became obvious that if the country went 100 years without a conflict, then this park would be just a small building, a circle walk, and a large stand of trees and lawn. That must have been what the donor ultimately hoped would happen, to remember conflicts to approximately the fourth generation after the end of hostilities and generally until nearly anyone directly involved had died, and then confine those conflicts to history books. In fact, if civilization disappeared entirely, trees would eventually take over and turn the park into a small forest.

Monuments were present for World War II, Korea, Vietnam, Iraq and Afghanistan, and other conflicts not as well known. As he walked along admiring each monument and thinking about what he knew about each conflict, Jack was contemplating his own life. He had never served in the military but always had the greatest respect for those who had. The display space was about 60% filled with monuments and the last part of the circle walk was trees and lawn with no sign monuments had ever existed there.

There were a few other people walking in the park talking quietly who sometimes stopped to read inscriptions or take pictures. An Asian lady was writing in a notebook and she told Jack when he

approached that she wanted to see various places around the city in preparation for the US Citizenship Test she was about to take to bring the classroom subjects more to life. Jack asked her which country she had emigrated from and she said “Indonesia”. Jack encouraged, “Good luck in becoming a US Citizen. Nearly everyone living in this country has ancestors who lived at least a continent away from here. We are a nation of immigrants and we are a much stronger country because of it.”

The circle walk ended where it started near the entryway. Jack had walked only a short distance, but it took his mind off his own troubles for an hour. Income from consulting had been slowly decreasing for several reasons and he needed to find some more.

Scene 2 – Non-traditional Actuarial Role

At the home office, the screen showed various alerts that had been set up. Job alerts, consulting alerts, even some news alerts that might point to actuarial work available. Not much has been coming through lately anywhere close to Jack’s areas of consulting.

A different one popped up today called, “Correctional Actuary”. Jack was just curious enough to read the generic job description: “Optimize profits for a private prison by controlling wages and prices for a large prison work population.” The posting was for Central Holding the largest private prison corporation in the country. He was ready to skip to the next listing when the pay caught his eye, “\$100,000 a year for 10 hours a week, working remotely”.

Jack filled out the application and attached a resume, not expecting to hear from them. To his surprise, an email reply arrived the next day that read “We’d like to interview you for Correctional Actuary”. Before long, Jack was on a video ‘screening’ interview with the head of HR for Central Holding, Amanda Richards. Amanda explained that Central Holding has at least one facility in every state and has the highest number of incarcerated prisoners ever, breaking records for prison labor available to be hired by companies.

Jack said, “I thought convict leasing finally ended somewhere around the time of World War II, and it was severely racially discriminatory.” Amanda explained, “What we are doing now isn’t quite the same thing as post-civil war convict leasing as the prisoners have a choice about whether to work or which job to take inside the prison. We don’t like to use the word ‘prison-industrial complex’, however, we make almost as much total income from prisoners working these jobs for various industries as we receive from charging various jurisdictions to hold them in cells. We even have a conference each year to market the prison labor force to businesses – more prisoners therefore more prison jobs needed therefore more profits for us. We call it a jobs training program. Unfortunately, it isn’t cost effective for the companies to hire the same person for the same job after they are released from prison even at minimum wage when there are so many prisoners available that are paid so much less than minimum wage.”

Jack opined, “As long as it is truly voluntary for prisoners, I guess that is ok.” Jack was thinking of his dwindling income and few remaining consulting gigs. At least there aren’t any Actuarial Standards of Practices he would be required to follow in managing the economics of a prison

labor population. Amanda said, “Next we will have you talk to the CEO for what the position entails and to see if there is a good fit.”

Carl Welton the CEO of Central Holding was available for an interview a few days later. “We are proud of prison working conditions and pay. We think it balances what the prisoners make, some of which is garnished for restitution payments, keeps labor costs down for industries, and keeps prisoners out of trouble by giving them something to do. We need an actuary to keep the balance, organize and monitor pay and small-scale incentive programs, and perform data analysis to find the tipping point where trouble starts escalating due to too much pressure on the prisoners. We want to maximize profits while minimizing trouble. The actuary can analyze the available statistical data from all the facilities we operate and try to predict where problems might arise. We can adjust company store prices up or down, small-scale incentive programs up or down, and recommend pay levels higher or lower than current to keep the system operating. If we can reduce correctional staff at the same time, that would be even better. Sound like a job for an actuary?”

Jack had to admit the data would be interesting to analyze, especially if the behavioral aspects of trouble could be incorporated. It sounded like it might even be a predictive analytics problem, after all the fundamentals are completely understood. Jack knew actuaries were sometimes building sloppy predictive analytics models on top of poor fundamental analysis. This was a chance to do it right.

Jack said, “I’m definitely interested”. A few more rounds of organizational emails and Jack was hired. The data started flowing. Jack was busy after taking the assignment, analyzing the data, creating reports to show different characteristics and how they changed over time, and trying to incorporate trouble into the reports and analysis.

The paychecks started too, making Jack feel the deal was working for everyone. The pay for prisoners was anywhere from \$1 a day to up to \$10 an hour for a few highly specialized jobs in certain industries. Most of the more non-violent financial crimes prisoners had the better paying jobs in prison as they had more skills prior to sentencing. The least skilled had the jobs paying \$1 a day. There were even prisoners sent to fight western state wildfires on \$2 a day. Seems like the real world to some extent with the pay scaled way down.

In most cases, there was a fine or other civil judgment garnishment and there was a mandatory savings program for a portion of pay also to be given out as a lump-sum upon prisoner release. The prisoner might have 50% of total pay to buy something in the company store. Prices started at three times the local average store price and some items were much more with anything considered contraband not sold in the company store at all. Of course, prisoners couldn’t shop at the local average store.

The data came out and reports went back between Jack and a secure portal for about 6 months before Carl talked to Jack again. “Jack, your work is superb, and this reporting is better than anything we have ever had before. You are even factoring in trouble as much as you can into reporting and recommending changes for pay, incentive plans and company store prices. We’ve incorporated all your recommendations. They seem to have helped calm the prison population

and keep them working smoothly. I knew hiring an actuary instead of trying to make do with a statistician would be much better. Thanks.”

Jack, happy the CEO was satisfied, just made one suggestion, “I’ve been thinking about whether, if we were to price one item closer to market price, it might be bar soap. We are charging \$3 a bar and it seems like we could charge \$1 a bar and reduce the smell in the facility, which might reduce trouble generally. Some comments make it through into the data from incident reports and no one complains more about anything else compared to bar soap, though cost of toilet paper is a close second.”

Carl replied, “Draw up a recommendation and we will test it on a pilot basis in one facility and see if it helps. It sounds like you might need to get closer to prisoners and have a better understanding of what they are thinking, along with all the other data. We’ll send all the suggestion box comments sent to you, so you have a more complete picture.”

Jack, surprised there even was such a thing as a prison suggestion box, said, “I’ll draw up a proposal for soap and, yes, I think comments will help add flavor to the data.”

After the soap proposal was piloted and wildly successful, and the comments started pouring in, Jack improved the reporting process and controlled the central economy of the prison population with ever higher profitability to Central Holding and less trouble.

Two years went by. A few things changed every now and then, inflation caused adjustments to some company store prices, wage levels and small-scale incentive plans. It was good pay for 10 hours a week and allowed Jack plenty of time to find other consulting work knowing a stable base income level was present.

Scene 3 – Potential New Division

Carl sent an email regarding a potential new division for Central Holding and followed up with a call. “Jack, we have consulted internal and external counsel and we are proposing a new division for Central Holding where the prisoners are legally held as indentured servants instead of working voluntarily. We found two especially promising states, one where they still have noticeable new issues of Industrial Life insurance and a neighboring state that has the highest count and amount of Industrial Life insurance in force. Industrial Life is a good proxy for state governments continuing to allow antiquated practices. New York and Arkansas won’t allow any new issues; however, the product is still legal to sell in 48 states even though it is a worse value for the policyowner than Ordinary Life insurance.”

Carl continued, “All we need are state legislatures that will allow a prisoner to be sentenced to a period of indentured servitude and enough judges consistently delivering that sentence to generate enough scale for an indentured servitude division. Our lobbying arm is in full swing, and we have started to make the pitch in several states where we have existing facilities. We’ll build more facilities if we need to. We didn’t think we could ask for ‘slavery’ due to an extremely negative connotation. The public doesn’t seem to know what ‘indentured servitude’

means. The 13th Amendment at the Federal level and many state constitutions allow slavery or indentured servitude as punishment for crime. All we have to do is activate the provisions.”

Jack was puzzled by this new development, “Isn’t the company making plenty of profit on prisoners as workers? How is what you are proposing different than forced labor camps in other countries?”

Carl replied, “Instead of small pay to buy things in a company store, we will offer the necessities for good job performance offered on a rotating basis to make sure we hit the major categories of what prisoners actually need. We think we can still have indentured servants working for companies, and then have the necessities cost less than 50% of what we are currently paying correctional prisoners on average. You have all the data from the past several years. We think you are in the best position to recommend the rotation or package of necessities we could offer. We’ll give you another \$100,000 a year for up to 10 more hours of work to do the reporting and recommending that you are doing now in the prison labor population also in the indentured servitude division. What do you say?”

Jack wanted to buy some time, “Let me think about this over the weekend and I’ll get back to you on Monday.” He recalled that history equally condemned slavery and involuntary servitude. He worried that if this concept spread, judges might sentence all prisoners to be indentured servants. How much different is it really between low pay and high company store prices compared to no pay with some level of necessities provided? On the other hand, the company was offering to double the pay and the prisoners were already prisoners one way or the other. He remembered the \$1 soap breakthrough and how that really helped reduce trouble. He wondered how a package of necessities motivates an indentured servant. Does one just die or become severely inconvenienced if they don’t receive the necessities a few times in a row? Some of the comments from the suggestion box had described situations of not enough food and supplementing with company store purchases. How does that work in an indentured servitude situation where a prisoner has no ability to supplement?

Jack’s analytical side was already pondering how to make it work. On arrival dump the new indentured servant into a cell with straw on the floor and a bucket. Tell them they must work to improve living conditions with varying lengths of work and consistent good behavior needed to obtain a mattress, pillow, blanket, running water, toilet in room instead of a bucket, and eventually email-access and phone-access. It might take building a different kind of facility, starting with the concepts built into the old debtor’s prisons. All this and somehow not let it be known this would be considered a forced labor camp.

Jack wasn’t sleeping well over the weekend. Although there were no actuarial opinions or sign-offs that would track a labor camp back to him, he wasn’t sure this was right even if it was legal. Central Holding was making plenty of profit from prisoners in correctional facilities. It seemed controversial to open this new division and have activists on the doorstep over every misstep, indentured servant injury or death no matter where the fault was. Bad things could happen if one of the prisoners, or maybe even activists, ever found out who he was and how he was manipulating indentured servants’ lives. That could be personally dangerous. Before there was

some level of choice whether a prisoner worked, but now there were none unless a prisoner wanted to live permanently in a straw-lined cell with a bucket in it. Not much choice there.

Jack remembered the “Peace Memorial Park” he visited years ago. If there had been a 100-year monument to slavery or indentured servitude it would have been long removed and destroyed. A monument to voting for women would have about a year remaining. A monument to convict leasing would have about 22 years remaining. A monument to the Civil Rights Act would have about 45 years remaining. Those were different kinds of conflicts and more memorials could be added as civil and human rights victories occur. In some cases, just as many people were involved in those conflicts as there were in fighting wars. Maybe those issues are as important as fighting wars even if the monuments are scarcer for them.

Jack didn’t want to risk losing the correctional actuary work, but he really didn’t want to have anything to do with indentured servitude or forced labor camps.

Scene 4 - Monday Decision

Carl called first thing Monday, “We’ve done some more legal work. First, we discovered the word ‘actuary’ is just an unregistered label and we can hire anyone we want and call them an actuary if we like. Second, actuarial professionalism just applies to individual actuaries not really to the companies employing them. The companies can do mostly whatever they want if it is legal, with very limited ability of anyone to do anything about it. Third, we found enough prisoners already in our existing correctional facilities with enough skills that we can hire one to manage the central economy of the indentured servitude division. That prisoner can use your reports on the correctional division and interpret how to handle indentured servants in the new division from those reports and other information we will provide. We will pay the prisoner \$10 an hour, nearly top-end pay for a prisoner. This would be a lot less than we were offering you. Sorry that we offered it to you. We need to rescind the offer.”

Jack replied, “I understand, you have to make the best decision for the company. My schedule has been so full of other consulting work I wasn’t sure I could take on anything more.”

Jack successfully kept the correctional actuary work without being drawn into the indentured servitude division. He checked his state constitution to see if it might allow slavery or indentured servitude for someone convicted of a crime to determine whether Central Holding might try to create indentured servants in his state. He thought it might be time to understand and become involved in ongoing efforts to improve civil and human rights.